Jupiter **Strategic Bond Fund**

Short Annual Report – for the year ended 30 April 2014

Investment Objective

To achieve a high income with the prospect of capital growth.

Investment Policy

To attain the objective by seeking out the best opportunities within the fixed interest universe globally. The Fund invests in higher yielding assets including high yield bonds, investment grade bonds, government bonds, preference shares, convertible bonds and other bonds. The Fund may invest in derivatives and forward transactions for investment purposes. The Manager may also enter into derivative transactions for the purpose of efficient management of the portfolio (including, but not limited to, forward currency transactions to hedge exposure in Euro denominated bonds back into sterling).

Note: With effect from 19th December 2013 the Funds objective changed in the form that the Fund may invest in derivatives and forward transactions for investment purposes and not only for the purpose of efficient management of the portfolio.

Performance Record

Percentage change and sector ranking from launch to 30 April 2014

	1 year	3 years	5 years	Since launch*
Jupiter Strategic Bond Fund	5.9	25.6	97.2	82.8
Sterling Strategic Bond sector position	15/76	11/61	8/53	1/50

Source: FE, Retail Units, bid to bid, net income reinvested.
**Launch date 2 June 2008.*

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment in a unit trust and the income from it can fall as well as rise and it may be affected by exchange rate variations. You may get back less than you invested.

Unit Classes

In addition to the basic class of units which are available to all types of investors, the Fund also offers I-Class units which are available to investors who invest a minimum of £5,000,000. Further details are available from the Manager on request.

Please note that in order to distinguish between the unit classes within the Fund they are defined in this report as either Retail Units (non I-Class) or I-Class Units. The unit types associated with each unit class are disclosed in the Comparative Tables on page 2.

Risk Profile

The Fund has little exposure to liquidity or cash flow risk. The risks it faces from its financial instruments are market price, credit, foreign currency, interest rate and counterparty risk. The Manager has the power to invest a significant proportion of the Fund in high yield bonds (a type of fixed interest security with a lower rating from a credit rating agency). While such bonds often offer a higher income than bonds which are highly rated by credit rating agencies the interest paid on them and their capital value is at greater risk particularly during periods of changing market conditions. The level of quarterly income may fluctuate due to the overall structure of the portfolio. The Manager reviews policies for managing risks in pursuance of the Investment Objective and Policy.

Risk and reward indicator

The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the Risk and Reward Indicator.

← Typically lower rewards, lower risk | Typically higher rewards, higher risk →

Retail Units As at 20.05.14

1	2	**3**	4	5	6	7

I-Class Units As at 10.01.14

1	2	**3**	4	5	6	7

← Typically lower rewards, lower risk | Typically higher rewards, higher risk →

Retail Units As at 30.04.13

1	2	3	**4**	5	6	7

I-Class Units As at 30.04.13

1	2	3	**4**	5	6	7

- The lowest category does not mean 'no risk'. Some risk will still be present in funds with a risk and reward rating of 1.
- The Fund is in this category as it invests in a wide range of bonds issued by governments and companies and can use derivatives for investment purposes, all of which carry a degree of risk.

Warning to Unitholders Customers of financial institutions can be prone to attempts by fraudsters to obtain personal information or money. There are many ways they can initiate contact, such as emails, letters and cold calls, but methods are constantly evolving so it is important that you are aware of the types of scams so that you are better able to protect yourself. Please visit our website www.jupiteronline.com or call 0844 620 7600 for further information.

Charges

The charges you pay are used to pay the costs of running the Fund, including the costs of marketing and distributing it. These charges reduce the potential growth of your investment.

Charges taken from the Fund over the year to:	30.04.14	30.04.13
Ongoing charges for Retail Units	1.49%	1.49%
Ongoing charges for I-Class Units	0.74%	0.74%

Portfolio Turnover Rate (PTR)

Year to 30.04.14	Year to 30.04.13
63.84%	111.94%

The PTR provides an indication of the rate the Manager has bought and sold the underlying assets of the Fund during the period as indicated above. In general, the higher the PTR of a fund, the greater level of portfolio transaction costs will be incurred.

Distributions/Accumulations

	Quarter to 30.07.13	Quarter to 30.10.13	Quarter to 30.01.14	Quarter to 30.04.14
	Pence per unit			
Retail Income units	0.6933	0.6576	0.6493	0.6412
Retail Accumulation units	0.8854	0.8485	0.8462	0.8258
I-Class Income units	0.7959	0.7591	0.7515	0.7486
I-Class Accumulation units	1.0210	0.9847	0.9853	0.8872

Fund Facts

Fund accounting dates		Fund payment/ accumulation dates	
30 April	31 October	30 June	31 December

Additionally, two further payments will be made on 30 September and 31 March each year to unitholders on the register at 31 July and 31 January respectively.

Comparative Tables

Net Asset Values

Date	Net Asset Value of Fund	Net Asset Value per unit				Number of units in issue			
		Retail Income	Retail Accumulation	I-Class Income*	I-Class Accumulation*	Retail Income	Retail Accumulation	I-Class Income*	I-Class Accumulation*
30.04.13	£1,482,978,320	64.96p	82.99p	65.31p	83.80p	1,196,400,442	463,600,078	405,918,657	66,824,568
30.04.14	£2,024,013,447	66.06p	87.87p	66.42p	89.17p	979,772,935	459,552,714	944,054,281	387,911,020

Unit Price Performance

Calendar Year	Highest offer				Lowest bid			
	Retail Income	Retail Accumulation	I-Class Income*	I-Class Accumulation*	Retail Income	Retail Accumulation	I-Class Income*	I-Class Accumulation*
2009	57.60p	62.90p	n/a	n/a	39.50p	41.11p	n/a	n/a
2010	62.66p	71.24p	n/a	n/a	54.42p	59.43p	n/a	n/a
2011	63.22p	73.82p	59.03p	70.32p	56.73p	66.51p	56.88p	67.40p
2012	67.67p	84.50p	65.39p	81.84p	57.83p	69.18p	58.09p	69.18p
2013	68.96p	89.45p	66.61p	87.14p	63.22p	80.43p	63.62p	81.05p
to 30.04.14	69.88p	91.95p	67.56p	89.75p	65.13p	85.36p	65.49p	86.54p

Income/Accumulation Record

Calendar Year	Pencer per unit			
	Retail Income	Retail Accumulation	I-Class Income*	I-Class Accumulation*
2009	3.0500p	3.2036p	n/a	n/a
2010	2.9100p	3.2397p	n/a	n/a
2011	2.4242p	2.8290p	0.3082p	0.3708p
2012	2.6471p	3.2003p	3.0612p	3.6714p
2013	2.7869p	3.5331p	3.1892p	4.0623p
to 30.06.14	1.2905p	1.6720p	1.5001p	1.8725p

*The I-Class income and I-Class accumulation units were introduced on 19 September 2011.

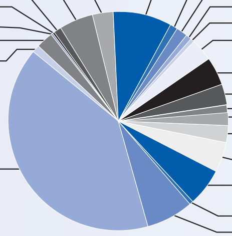
Major Holdings

The top ten holdings at the end of the current year and at the end of the previous year are shown below.

Holding	% of Fund as at 30.04.14	Holding	% of Fund as at 30.04.13
Australian Government 4.75% 21/04/2027	3.73	Australian Government 4.75% 21/04/2027	5.66
Australian Government 5.5% 21/04/2023	2.45	Australian Government 5.5% 21/04/2023	4.34
Lloyds Banking Group VRN perpetual	1.74	Mexican Bonos 5% 15/06/2017	3.31
Australian Government 5.75% 15/07/2022	1.70	Australian Government 5.75% 15/07/2022	3.01
Eksportfinans ASA 5.50% 26/06/2017	1.56	Eksportfinans ASA 5.50% 26/06/2017	2.27
Newmont Mining 1.625% CV 15/07/2017	1.23	Pagejaunes Finance & Co 8.875% 01/06/2018	1.64
Punch Taverns 7.274% 15/04/2022	1.06	Unique Pub Finance 6.542% 30/03/2021	1.47
Unique Pub Finance 6.542% 30/03/2021	1.04	Punch Taverns 7.274% 15/04/2022	1.40
Lowell Group 10.75% 01/04/2019	1.00	Lowell Group 10.75% 01/04/2019	1.33
Spirit 5.472% 28/12/2034	0.98	Anglogold Holdings 3.5% CV 22/05/2014	1.28

Portfolio Information

Geographical split by country of issuer as at 30 April 2014



The figures in brackets show allocations as at 30 April 2013.
**The Fund is classified within the IMA Sterling Strategic Bond sector and, as such, is obliged to ensure that at least 80% of its assets are either denominated in sterling or hedged back to sterling. The Fund also participated in futures contracts during the year with the aim of hedging out some of the interest rate risk exposure within the Fund. This figure represents outstanding derivative contracts at the end of the year.*

Investment Review

Performance Review

For the year ended 30 April 2014 the total return on the units was 5.9%* compared to 0.0%* for its benchmark, the iBoxx sterling non-gilts all maturities Index.* Over five years the Fund has returned 97.2%* compared to the benchmark return of 58.0%*, since launch the Fund has returned 82.8%* compared to the benchmark return of 50.1%*. The Fund was ranked 15th out of 76 funds over the period, 8th out of 53 funds over five years and 1st out of 50 funds since launch in the IMA Sterling Strategic Bond sector.

A quarterly distribution of 0.6412 pence per unit will be paid to holders of Retail income units on 30 June 2014 (Retail accumulation units 0.8258 pence per unit), bringing the total interest distributions paid net of 20% income tax in respect of the period under review for Retail income units to 2.6414 pence per unit (Retail accumulation units 3.4059 pence per unit) compared to 2.8076 pence per unit for Retail Income units (Retail accumulation units 3.4659 pence per unit) for the same period last year. Also, a quarterly distribution of 0.7486 pence per unit for holders of I-Class income units will be paid on 30 June 2014 (I-Class accumulation units 0.8872 pence per unit), bringing the total interest distributions paid net of 20% income tax in respect of the period under review for I-Class income units to 3.0551 pence unit (I-Class accumulation units 3.8782 pence per unit) compared to 3.1958 pence per unit for I-Class Income units (I-Class accumulation units 3.9780 pence per unit) for the same period last year.

**Source: FE, Retail Units, bid to bid, net income reinvested. The statistics disclosed above relate to Retail Units unless otherwise stated.*

Market Review

A step change in US Federal Reserve (Fed) policy set the tone for the year under review. In May 2013, with US growth becoming self-sustaining, Fed Chairman Ben Bernanke indicated that the Fed may start to taper its $85 a month quantitative easing (QE) programme in September. His comment sent shockwaves through global bond markets as investors worried that there might be a repeat of 1994 when Fed tightening precipitated a bear market. These fears were neutralised somewhat by mixed economic data and the delay in tapering until December, when $10bn a month cut to the programme was announced: a figure on the low side of expectations. The appointment of a new Fed Chair, Janet Yellen, did little to change the Fed's course and QE was reduced to $45bn per month by the end of the period.

In early 2014, bond yields drifted lower with the severe winter weather in the US impeding the economic recovery. Meanwhile, tighter Fed policy weighed heavily on emerging market bonds and currencies which compounded the existing economic problems. China, where authorities grappled to contain speculation in the shadow-banking sector, was of particular concern, as was the growing geopolitical crisis in Ukraine.

Closer to home, the pace at which the UK economy improved forced the new Governor of the Bank of England, Mark Carney, to bring forward expectations for when an interest rate rise might be appropriate. Meanwhile, several troubled economies in the eurozone started to show green shoots of growth and confidence returned with vigour to some of the more distressed areas: notably, Ireland's 10 year government bond yields ended the period at a similar level to 10 year UK Government Bonds (Gilts).

Policy Review

While we were pleased with the performance of the Fund, the mid-single digit return reflects some of the challenges bond markets faced during the year. The Fund's benchmark ended the year unchanged and coupon payments tended to make up a larger portion of the investment returns.

Investment in European corporates, especially the region's stronger banks, continued to provide some of the best returns for the Fund. Bank deleveraging has been a theme in the Fund for about eighteen months. We believe this is a multi-year investment theme as tough new regulation forces banks to reduce debt levels and improve the quality of their capital reserves. We benefitted from owning subordinated bank debt across mainly core European banks as bank balance sheets continued their healing process. Also, tenders for some of our notes by Royal Bank of Scotland and highly attractive terms from Lloyds Banking Group to switch out of their contingent convertibles into new additional tier 1 notes helped performance. Improvements to government and private sector balance sheets in peripheral Europe also provided good opportunities during the year. Positions were established in Greek and Cypriot government debt, for example, which offered yields of c8% and added excellent value in the last few months of the period. Among other themes, the Fund's oil rig financing theme continued to be a solid performer.

We are at an interesting juncture and in recent months the balance of power has shifted somewhat from lenders to borrowers in the high yield bond market. Covenants have been more relaxed and yields on offer are drifting lower making them less attractive to investors. We have therefore, at this point in the credit cycle, become more selective about bonds we invest in. That said, we continue to find opportunities to enhance returns. For example, we have recently been pursuing yield-to-call strategies investing in the bonds of companies which we expect will be redeemed at a premium either because the company wants to refinance at lower rates or take out the vast chunk of debt as part of the process of an equity listing. Investments in AA, House of Fraser, DFS and Travelex are examples of holdings in this theme.

Holding a short duration (c1.7 years at the end of the period) was not always successful this year, but it tended to work when it most counted during those kneejerk periods when fears about rate rises became acute. US Treasury bond hedges remained in place and we increased exposure to floating rate notes to about a third of the Fund.

Investment Outlook

The recent rally in the long end of the US Treasury bond markets suggests that the jury is out about how strong growth will be in the underlying economy when QE comes to an end. The yield curve, despite the rally in the long end, remains steep; also break-even rates have not shifted down that much, if at all, suggesting that this rally is more a reassessment of the growth outlook than concerns about deflation settling in. While economic data in the first quarter was poor, predominantly due to the inclement weather, recent jobs data and anecdotal evidence suggests the US economy should bounce back in the second quarter and we still believe decent US growth should see bond yields drift higher over time. Elsewhere, with inflation trending lower in Europe, markets are starting to speculate about how the European Central Bank might respond. So far, currency markets have called Mario Draghi's bluff: his verbal assurances no longer hold as much sway as they once did. While QE now appears a real option for the region, it may prove to be a blunt tool. Not only are sovereign bond yields already quite low but so are corporate bond yields. It's the small and medium enterprises, particularly in peripheral Europe, that need access to financing and at competitive rates. Therefore, we would not be surprised if other measures are announced first (such as taking further steps to unclog the flow of credit to the peripheral countries of Europe). A further easing of policy should deliver a further boost to credit markets.

Ariel Bezalel
Fund Manager

Responsible Stewardship

Jupiter believes that responsible stewardship is an important issue and aims to act in the best interests of all its stakeholders by engaging with the companies that it invests in, and by exercising its voting rights with care. We believe companies with high standards of corporate responsibility, governance and sustainable business practices create an appropriate culture to enhance good investment performance. Jupiter's Corporate Governance and Voting Policy and its compliance with the UK Stewardship Code, together with supporting disclosure reports are available at www.jupiteronline.com

This document is a short report of the Jupiter Strategic Bond Fund for the year ended 30 April 2014. The full Report and Accounts of the Fund is available on our website **www.jupiteronline.com** or upon written request to Jupiter Unit Trust Managers Limited, PO Box 10666, Chelmsford CM99 2BG.

The information in this report is designed to enable you to make an informed judgement on the activities of the Fund during the year it covers and the results of those activities at the end of the year.

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